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A Guide to the Budget Process in Texas



Budget 101:
A
Guide
to the
Budget Process
in
Texas



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Preface

The budget process is an important part of the legislative session in any state, and in Texas that legislative session is compressed into 140 days. This means the budget process moves quickly and can be very confusing to newcomers. The purpose of *Budget 101* is to provide a step-by-step explanation of the budget process in Texas. This document is designed to be a budget primer for new staff or for those unfamiliar with the budget process. An understanding of the material presented in this report will help staff respond to constituent questions, communicate with agencies, understand the impact and magnitude of the budget, and learn budget terminology. *Budget 101* includes:

- A brief overview of the biennial budget process;
- A description of the different offices and agencies involved in developing the budget;
- A discussion of strategic planning; and
- A step-by-step explanation of what happens to the budget during the legislative session.

Also included is information on revenue sources for Texas government, information from the budget, and a glossary of terms. Other sources may also be helpful in understanding the budget process. *Fiscal Size-Up*, a publication by the Legislative Budget Board, contains excellent descriptions of the various revenue sources and various taxes in Texas. The *Guide to Performance Measure Management*, by the State Auditor's Office, Legislative Budget Board, and the Governor's Office of Budget, Planning, and Policy contains extensive information regarding the purpose and development of performance measures.

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Overview of the Budget Process

Overview of the Budget Process

Texas' two-year budget takes roughly twice that amount of time to prepare, produce, and administer. Agencies develop their appropriations requests in the first year, the legislature approves the General Appropriations Act in the second year, and the budget is implemented over the next two years.

The first step in preparing the budget is the development of a statewide vision for the future of Texas government. The governor, in cooperation with the Legislative Budget Board (LBB), is responsible for preparing the vision statement for Texas. This statement is meant to provide a framework for the development of strategic plans. It sets forth a mission for state government, core principles to guide decision-making, and a priority goal and benchmarks for various state agency services, such as education, health and human services, and natural resources. The current "Planning for Progress" states, "Texas State Government will be limited, efficient, and completely accountable. It will foster opportunity, economic prosperity, and family. The stewards of the public trust will be men and women who administer state government in a fair, just, and responsible manner. To honor the public trust, state officials will seek new and innovative ways to meet state government priorities within its financial means."

The next step is the development of a strategic plan by each state agency. A strategic plan is a long-term plan that sets forth where an agency is and where the agency is going. It includes a statement of the missions and goals of the agency, identifies the population served by the agency, and sets forth a description of the means for meeting the agency's goals, including an analysis of the factors that will affect the agency in the future. The Governor's Office of Budget, Planning, and Policy (GOBPP) and the LBB staff issue instructions for developing strategic plans in the spring preceding a legislative session. Included with the instructions is a copy of the governor's "Planning for Progress," which is meant to provide an "overarching framework" for the development of strategic plans by each agency. After developing a strategic plan, the agency submits its plan to the GOBPP and the LBB for approval.

In the spring preceding the legislative session, the LBB sends out Legislative Appropriation Request (LAR) instructions. These instructions are used by agencies to develop budget requests. Included in each LAR are the performance measures on which budgeting is based. During the summer months, the LBB and

GOBPP hold hearings with each agency concerning the agency's strategic plan and LAR. During the course of these hearings, the LBB, GOBPP, and agency reach an agreement regarding the items to be included in the agency's strategic plan and the performance measures to be contained in the LAR. LARs must be complete by the end of the summer and copies must be provided to the LBB, GOBPP, the State Auditor's Office (SAO), the Comptroller of Public Accounts (comptroller), and several other offices.¹ These LARs form the basis for the appropriations bill prepared by the LBB.

During the fall prior to the legislative session, LBB staff prepares the general appropriations bill draft. This proposed appropriations bill contains performance measures, the maximum number of full-time equivalent positions allowed, specific enumerated instructions and contingencies on some expenditures (called riders), the amount of funding recommended by the LBB, and the method of financing each agency's appropriation. The amount of funding that the LBB staff sets forth for each agency in the appropriations bill and the amount of funding requested by the agency do not always match. To help compare the amount recommended by the LBB and the amount requested by the agency, the LBB produces a document entitled *Legislative Budget Estimates*. That document sets forth all the information contained in the appropriations bill except for riders, and includes amounts expended by the agency in past years and the amount requested by the agency for the coming biennium.

Next, the appropriations bill is filed in both houses of the legislature. This allows each house to work on the bill. As a matter of equanimity, the final bill sent to the governor is a senate bill one session and a house bill the next. The comptroller is required to provide the legislature a biennial revenue estimate at the beginning of each session.² Because the legislature is constitutionally prohibited from appropriating more revenue than will be collected,³ this estimate is used by the legislature to ensure that appropriations will not exceed the anticipated revenue. During the first part of the session, the Senate Committee on Finance and the House Committee on Appropriations independently receive testimony from state agencies, including institutions of higher education, on the budget. Each committee makes changes to the budget document. This process is referred to as

¹ *Legislative Appropriations Request, Detailed Instructions for Executive and Administrative Agencies, Appellate Courts and Judicial Branch Agencies, Assembly and Distribution of Copies*, by the LBB and GOBPP.

² Section 49a, Article III, Texas Constitution.

³ Ibid.

“markup.” After the bill passes out of committee, it will come to a vote in each chamber. The bill is referred to a conference committee, composed of members of both houses, to resolve differences between the senate and house versions of the bill.

Like the designation of the final bill, the senate and the house of representatives alternate each session in chairing the conference committee. After the conference committee has agreed on a version of the appropriations bill, the bill is sent back to both houses. If both houses pass the appropriations bill, it is sent to the comptroller. The Texas Constitution requires the comptroller to certify there will be sufficient revenue to cover the appropriations made by the legislature.⁴ After the appropriations bill is certified by the comptroller, it goes to the governor for signing. The Texas Constitution, Section 14, Article IV, gives the governor line-item veto authority. If the legislature is still in session when that authority is exercised, it may override the governor’s veto(es) by a two-thirds majority vote in each house.

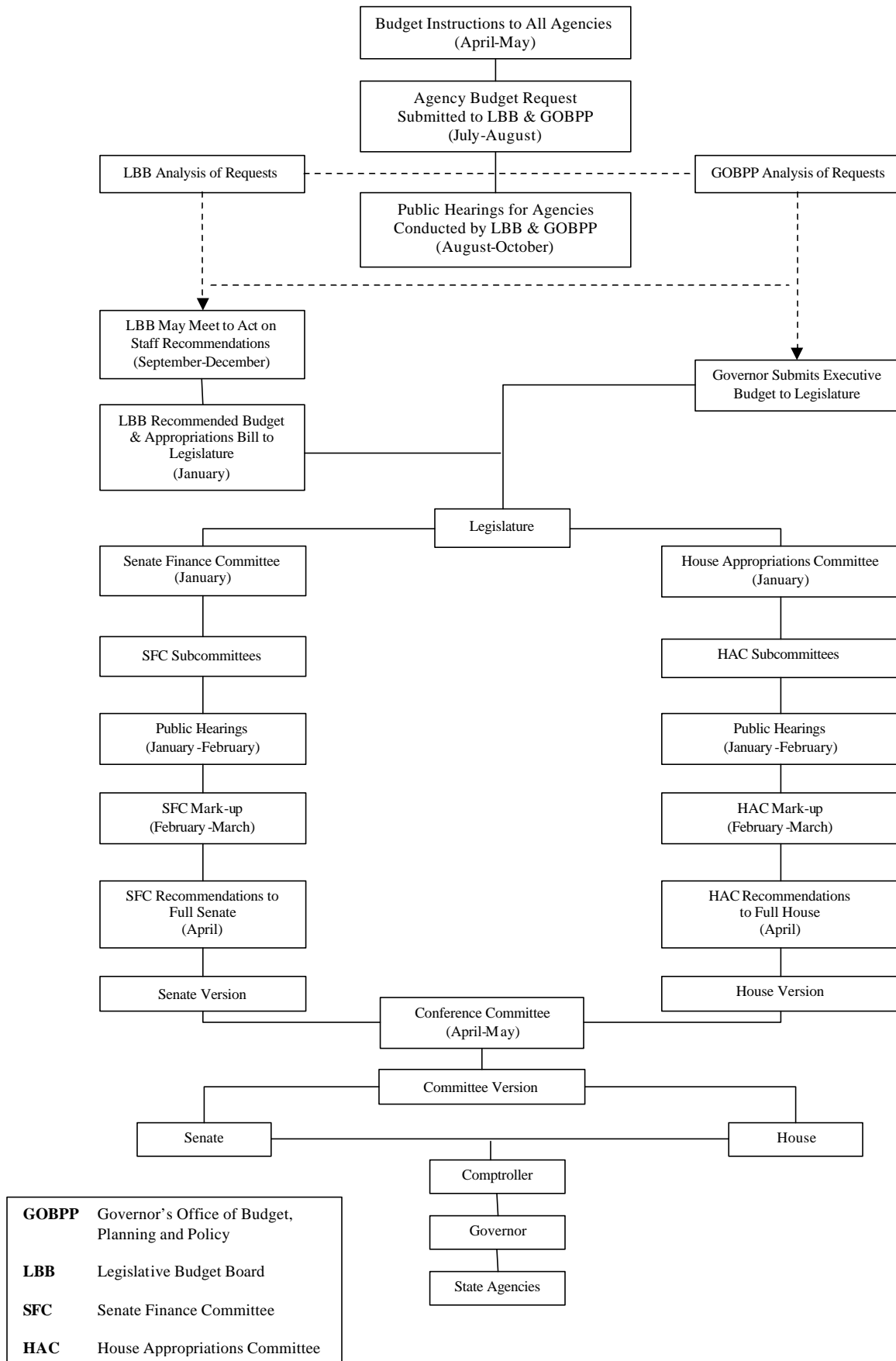
After the appropriations bill is signed by the governor and certified by the comptroller, it is implemented over the next two years. The appropriations bill takes effect on September 1 of each odd-numbered year. Although the budget does not appear in Texas’ statutes or codes, it is law and agencies are bound by it. The LBB and SAO are responsible for monitoring agency compliance with the budget.⁵ The governor and the LBB are empowered with budget execution, which is the authority to shift funds between agency programs, or even between agencies, if the need arises.⁶

⁴ Ibid.

⁵ Texas Government Code Ann., §§ 321.0132 and 322.011.

⁶ Ibid., Chapter 317.

Texas Biennial Budget Cycle



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The Budget Players

Legislative Budget Board

The Legislative Budget Board was created in 1949 for the primary purpose of recommending legislative appropriations for all agencies of state government. The LBB is composed of the lieutenant governor; the speaker of the house; the chairs of the Senate Committee on Finance, Senate Committee on State Affairs, House Committee on Appropriations, and House Committee on Ways and Means; two additional members of the senate appointed by the lieutenant governor; and two additional members of the house of representatives appointed by the speaker. The LBB employs a staff which includes analysts who work with and monitor state agencies. The LBB staff is often referred to as the LBB and, occasionally, as the LBO (Legislative Budget Office).

The LBB is active in developing the fiscal policy of the state. Among the legal responsibilities of the LBB are to:

- adopt a constitutional spending limit;⁷
- prepare a general appropriations bill;⁸
- prepare agency performance reports;⁹
- guide, review, and finalize agency strategic plans;¹⁰
- prepare fiscal notes identifying the probable costs of proposed legislation;¹¹ and
- take necessary action to transfer funds from one purpose to another within an agency or transfer funds from one agency to another (these actions are known as budget execution actions).¹²

⁷ Section 22, Article VIII, Texas Constitution.

⁸ Texas Government Code Ann., §322.008(a).

⁹ Ibid., § 322.011(c).

¹⁰ Ibid., Chapter 2056.

¹¹ Ibid., Chapter 314.

¹² Ibid., Chapter 317.

In addition to these responsibilities, the LBB provides many other services. During the legislative interim, the LBB provides semi-annual and annual assessments of state agency performance, supplies information and support to interim committees, and publishes the *Fiscal Size-Up*, which summarizes the important fiscal actions of the prior legislative session and describes the purpose and services of state agencies, as well as provides comparative information on Texas state government.

During the legislative session, the LBB supports the legislative appropriations process by providing staff resources for the House Committee on Appropriations, Senate Committee on Finance, and the conference committee on appropriations. This support often takes the form of tracking committee decisions, answering inquiries from committee members, performing analyses, and providing testimony.

Source: Legislative Budget Board

Comptroller of Public Accounts

The comptroller of public accounts, the state's chief financial officer, bookkeeper, and economic forecaster, performs many functions important to the state budget. The comptroller, a member of the executive branch elected statewide to a four-year term, is required to submit to the legislature, at the beginning of each session, a statement regarding the financial condition of the state and an estimate of the probable receipts and disbursements for the current fiscal year.¹³ The statement also must include an estimate of anticipated revenue for the coming biennium.¹⁴ This is referred to as the *Biennial Revenue Estimate* (BRE).

The Texas Constitution prohibits the legislature from appropriating an amount of money greater than what is estimated will be collected in revenue.¹⁵ Once an appropriations bill is passed by the legislature, the comptroller must determine if anticipated revenue will be sufficient to cover appropriations. If the comptroller determines the appropriations bill is within the revenue limitation, the bill is certified and it goes to the governor for approval; if the comptroller determines that the appropriations bill appropriates more than the amount of anticipated revenue, the bill returns to the house in which it originated where steps may be taken to bring appropriations within the amount of anticipated revenue.¹⁶

In addition to these duties, the comptroller is responsible for collecting state taxes, tracking over 600 separate revenue and spending funds, and ensuring that state agencies stay within their budgets.

Source: <http://www.cpa.state.tx.us/>.

¹³ Section 49a, Article III, Texas Constitution.

¹⁴ Ibid.

¹⁵ Ibid.

¹⁶ Ibid.

Office of the Governor

The Office of the Governor is involved in the budget process from start to finish; beginning with strategic planning and ending with budget execution. There are two budget players within the governor's office, the governor and the Governor's Office of Budget, Planning, and Policy (GOBPP).

The governor's involvement in the budget process begins with strategic planning. The governor and the LBB jointly develop achievement goals for state government in nine major areas: education, regulation, natural resources, health, human services, transportation, public safety and corrections, general government, and state employee benefits.¹⁷ These goals are then provided to each state agency for use in developing their strategic plans. The governor, or an appointee of the governor, also works with the LBB in developing Legislative Appropriation Request (LAR) instructions; the LARs developed by the state agencies must be submitted to the governor.¹⁸ The governor, or an appointee of the governor, must hold public hearings regarding the LARs;¹⁹ these hearings may be held in conjunction with the LBB.²⁰ The governor is required to compile a biennial appropriation budget,²¹ which should be delivered to the legislature within the first six days of the beginning of the regular session;²² the governor is then authorized to develop a general appropriations bill to be delivered to the legislature within the first 30 days of the beginning of the session.²³ Often, the governor's budget serves as a guiding policy statement while the LBB's bill is used as the appropriations bill.

After the legislature passes a general appropriations bill and the bill is certified by the comptroller, the bill must be approved by the governor. Line-item veto power allows the governor to veto specific items in the general appropriations bill.²⁴ After the budget takes effect, the governor and the LBB may jointly exercise their budget execution authority by approving the transfer of money from one program

¹⁷ Texas Government Code Ann., § 2056.006.

¹⁸ Ibid., § 401.042.

¹⁹ Ibid., § 401.043.

²⁰ Ibid., § 401.044.

²¹ Ibid., § 401.0445.

²² Ibid., § 401.046.

²³ Ibid., § 316.009.

²⁴ Section 14, Article IV, Texas Constitution.

to another within an agency or transferring funds from one agency to another if the action is warranted.²⁵

The GOBPP is active in developing agency strategic plans. The LBB and GOBPP jointly develop strategic plan instructions, which are usually forwarded to agencies during the interim between regular sessions of the legislature.²⁶ The GOBPP works with state agencies to develop acceptable performance measures.²⁷ After state agencies develop strategic plans, the GOBPP, along with the LBB, may compile these plans into a long-range strategic plan for the state.²⁸

²⁵ Texas Government Code Ann., Chapter 317.

²⁶ Ibid., § 2056.002.

²⁷ Ibid., § 2056.004.

²⁸ Ibid., § 2056.009.

Office of the State Auditor

The Office of the State Auditor, often referred to as the State Auditor's Office (SAO), is a legislative agency and serves as the independent auditor of state agencies. The SAO conducts economy and efficiency audits, effectiveness audits, financial audits, and compliance audits. The reports from these audits are often used by legislators in evaluating agencies.

More importantly for budgeting purposes, SAO audits performance measures to ensure that agencies have established controls for proper and accurate performance reporting. SAO rates the audited measures in one of four ways:

- certified without qualification;
- certified with qualification;
- factors prevented certification; or
- inaccurate.

“The SAO’s involvement in the strategic planning and performance budgeting system is to examine the accuracy of performance measures and how management uses performance information to manage operations. The SAO will assess the accuracy of reported performance measures so that the governor and legislature can determine to what extent they can rely on them when making decisions or evaluating state agencies. The SAO also verifies that the performance measures are part of management systems that have adequate internal controls. Adequate safeguards over the collection and analysis of performance measure data increase the probability that reported measures will be accurate over time. Additionally, the SAO examines how agency management uses measures to adjust operations to better achieve expected results.”²⁹ If further information is needed regarding certification of performance measures, the LBB’s *Budget and Performance Assessments, State Agencies and Institutions, Fiscal Years 1997-2001*, contains information regarding the number of performance measures audited and certified by SAO for each state agency.

²⁹ *Guide to Performance Measure Management* (2000), by the SAO, GOBPP, and LBB.

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The General Appropriations Bill

The General Appropriations Bill

The general appropriations bill is prepared by the LBB and filed in each house of the legislature at the beginning of each regular session. The bill contains the recommended budget for each state agency. The current General Appropriations Act is divided into administrative sections, called articles, under which agencies are organized. These articles are:

- general government, Article I;
- health and human services, Article II;
- education, Article III;
- judiciary, Article IV;
- public safety and criminal justice, Article V;
- natural resources, Article VI;
- business and economic development, Article VII;
- regulatory, Article VIII;
- general provisions, Article IX;
- the legislature, Article X;
- tobacco settlement receipts, Article XII;
- the savings clause, Article XIII; and
- the emergency clause, Article XIV.

These article designations are often used when referring to agencies; for example, the Ethics Commission is an Article I agency.

By way of illustration, pages 17 and 18 contain the budget for the Commission on the Arts for FY 2002-03 as found in the General Appropriations Act.

Page 19 contains a chart showing how the FY 2002-03 General Appropriations Act is split among articles.

Goal:
Sets forth a goal the agency seeks to achieve.

Output:
Sets forth a performance measure used to count the services produced by an agency.

Outcome:
Sets forth a measurable target to be used in meeting a goal/strategy.

Strategy:
Sets forth actions to be taken by the agency to achieve the goal. There may be multiple strategies under one goal. Funding is provided at the strategy level.

COMMISSION ON THE ARTS		
A.1.1. Strategy: CULTURAL ENDOWMENT FUND Promote the Texas Cultural Endowment Fund to secure stabilized public and private funding.	\$ 2,350,000	\$ 350,000
B. Goal: ARTS EDUCATION Ensure that arts education is recognized and utilized as a major contributor to increasing literacy and strengthening basic learning skills in Texas schools and communities.		
B.1.1. Strategy: ARTS EDUCATION Provide and support arts education opportunities.	\$ 976,340	\$ 976,340
Output (Volume): Number of School Districts Participating in Arts Education Programs	495	495
C. Goal: ARTS ACCESS Ensure that Texas citizens and visitors are aware of the value of the arts and have equitable access to quality arts programs and services.		
Outcome (Results/Impact): Percentage of Total Assistance Dollars Provided to Minority Applicants	36%	37%
Percentage of Total Assistance Dollars Provided to Organizations from Rural and Geographically Isolated Communities	26%	28%
C.1.1. Strategy: DISTRIBUTE DIRECT GRANTS Distribute direct (non-educational) grants to nonprofit arts organizations.	\$ 3,022,603	\$ 3,022,603
Output (Volume): Number of Rural and Geographically Isolated Communities Funded	190	195
Number of Minority Applicants Funded	180	180
C.1.2. Strategy: PROMOTION & PARTICIPATION Improve statewide participation in arts programs and promote and encourage the public's understanding of the arts' contribution and value.	\$ 655,963	\$ 670,963
Output (Volume): Number of Marketing Activities, Conferences and Seminars Which Promote Tourism	85	90
Total, Goal C: ARTS ACCESS	<u>\$ 3,678,566</u>	<u>\$ 3,693,566</u>
D. Goal: INDIRECT ADMINISTRATION		
D.1.1. Strategy: INDIRECT ADMINISTRATION	\$ 404,170	\$ 404,929
Grand Total, COMMISSION ON THE ARTS	\$ 7,409,076	\$ 5,424,835

Method of Financing:

Sets forth the source of funding for an agency. (See section on revenue for a description of funding sources.

Number of FTEs:

Sets forth the number of full-time employees the agency may employ.

Schedule of Exempt Positions:

Sets forth salaries for employees who are not paid pursuant to the state classification schedule.

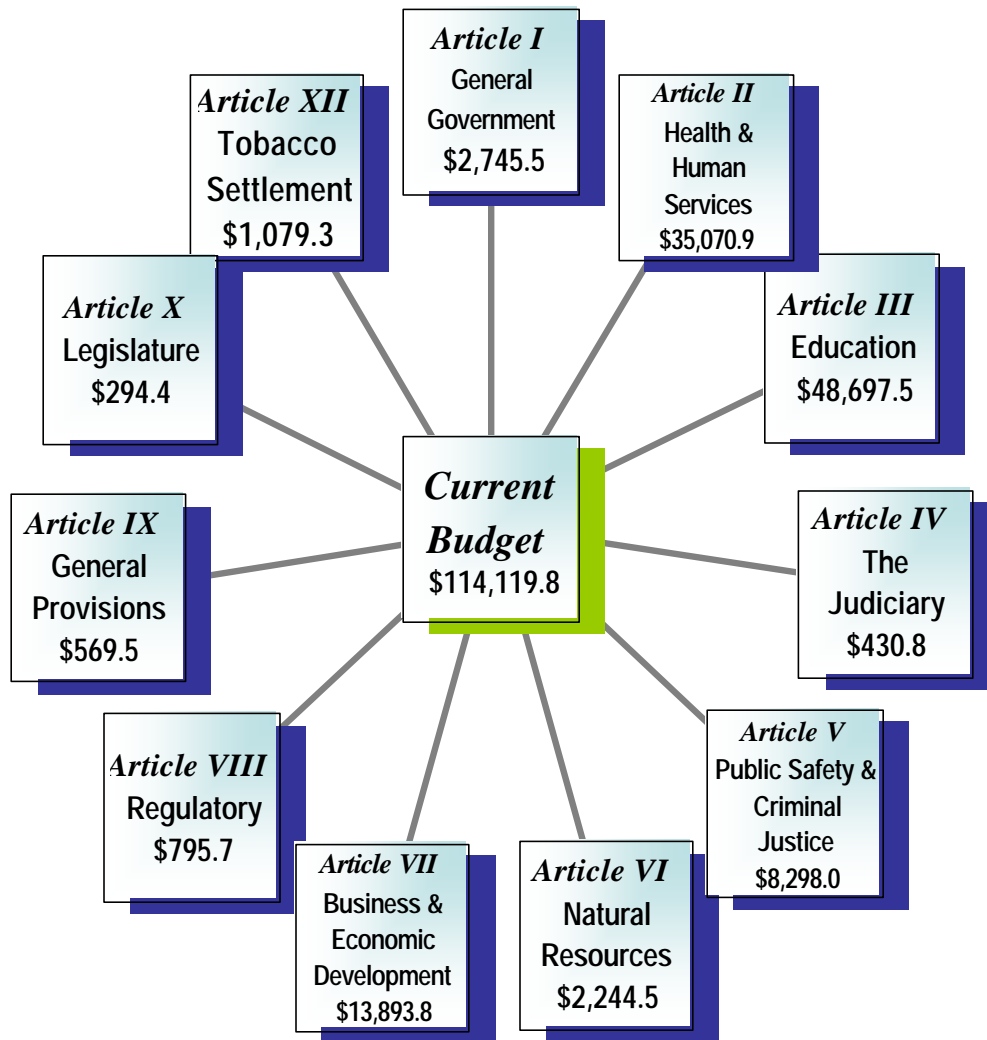
Riders:

Sets forth specific instructions regarding the expenditure or collection of funds by an agency.

**COMMISSION ON THE ARTS
(Continued)**

Method of Financing:		
General Revenue Fund	\$ 5,289,070	\$ 3,304,829
GR Dedicated - Commission on the Arts		
Operating Account No. 334	484,906	484,906
Federal Funds	665,100	665,100
Interagency Contracts	970,000	970,000
Total, Method of Financing	\$ 7,409,076	\$ 5,424,835
Number of Full-Time-Equivalent Positions (FTE):	19.0	19.0
Schedule of Exempt Positions:		
Executive Director, Group	\$ 70,000	\$ 70,000
Supplemental Appropriations Made in Riders:	\$ 1,307,376	\$ 380,658
<p>1. Capital Budget. None of the funds appropriated above may be expended for capital budget items except as listed below. The amounts shown below shall be expended only for the purposes shown and are not available for expenditure for other purposes. Amounts appropriated above and identified in this provision as appropriations either for "Lease Payments to Master Lease Purchase Program" or for items with an "(MLPP)" notation shall be expended only for the purpose of making lease-purchase payments to the Texas Public Finance Authority pursuant to the provisions of Government Code § 1232.103.</p>		
	2002	2003
Out of the General Revenue Fund:		
a. Acquisition of Information Resource Technologies		
(1) Computer Hardware	75,080	77,580
(2) Computer Software	29,300	30,400
(3) Web Application Development	69,500	67,500
(4) Server Support	37,528	38,578
Total, Acquisition of Information Resource Technologies	\$ 211,408	\$ 214,058
Total, Capital Budget	\$ 211,408	\$ 214,058
<p>2. Appropriation: Texas Cultural Endowment Fund Interest Earnings. Included above in Strategy A.1.1, Cultural Endowment Fund, are interest earnings on money deposited in the Texas Cultural Endowment Fund and transferred for appropriation out of the Commission on the Arts Operating Account No. 334, in the amount of \$350,000 each fiscal year, for the purpose of developing the Texas Cultural Endowment Fund. Any interest earnings in addition to amounts appropriated above are hereby appropriated to the agency for the same purpose for the biennium beginning September 1, 2001. Any unexpended balance of such earnings on August 31, 2002, is hereby appropriated for the same purpose for the fiscal year beginning September 1, 2002.</p>		
<p>3. Appropriation: Texas Cultural Endowment Fund. Included in the amounts appropriated above out of the General Revenue Fund for Strategy A.1.1, Cultural Endowment Fund, is \$2,000,000, which shall be deposited in the Texas Cultural Endowment Fund established under § 444.026, Government Code, for the biennium beginning September 1, 2001.</p>		
<p>4. Interagency Agreement. Out of amounts included above in Strategy C.1.1, Distribute Direct Grants, and Strategy C.1.2, Promotion and Participation, the Commission on the Arts shall expend \$1,340,000 during the biennium beginning September 1, 2001, transferred from the Texas Department of Transportation through interagency contract, to showcase the arts and cultural diversity in Texas to promote tourism.</p>		

*General Appropriations Act
Current Budget 2002-2003*



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Strategic Planning and Performance Measures

Strategic Planning and Performance Measures

Since 1993, state agencies have been required to develop long-term strategic plans.³⁰ An agency must issue a strategic plan each even-numbered year; the plan covers a five-year period. Among the items to be included in the plan are a statement of the mission and goals of the agency, performance measures, an identification of the persons served by the agency, an analysis of the resources necessary for the agency to meet its goals, and an analysis of expected changes in services due to changes in the law.³¹ The LBB and GOBPP may require additional items to be included in an agency's strategic plan.³²

The LBB and GOBPP issue instructions for developing strategic plans in the spring before the beginning of each legislative session. The LBB and GOBPP work in conjunction with state agencies to develop strategic plans. As a part of the strategic planning process, agencies develop performance measures. Performance measures are quantifiable indicators of achievement. Texas uses four types of measures:

- outcome – indicates the effect on a stated condition;
- output – counts the services produced by an agency;
- efficiency – gauges resource cost per unit of product; and
- explanatory/input – provides information to help assess reported performance.³³

For example, an output performance measure for the Texas Department of Health (TDH) might be the number of children from low-income families who receive free immunizations. Performance measures are linked to the budgeting process. They allow legislators to determine how well an agency is performing; often, legislators will question agency representatives in relation to performance measures.

In developing performance measures, an agency must develop a definition for each measure. “A performance measure's definition establishes both an

³⁰ Texas Government Code Ann., Chapter 2056.

³¹ Ibid., § 2056.002.

³² Ibid.

³³ *Guide to Performance Measure Management* (2000).

explanation of the measure and the methodology for its calculation.”³⁴ Among other information contained in a definition is an explanation of why the measure is important, outside factors that may affect measurement data, and the source of the information. In the TDH example, the definition would establish what is meant by low-income family, which low-income families qualify for the program, and what types of immunizations are covered by the performance measure. The definition would also establish a method for counting the number of children who receive the immunizations. Forecasts are made on measures as a part of an agency’s strategic plan and LAR following the development of performance measures. The TDH, in our example, might project that it will immunize a total of 2,000 children from low-income families over the next two years.

Over the next two years, an agency collects data on its performance measures and reports this information quarterly to the LBB, GOBPP, and other agencies. As part of the data collection process, an agency must establish controls to ensure the data is properly collected and reported. Among the duties of the SAO are auditing performance measures and certifying those measures. The audit report on performance measures includes a report on the adequacy of controls in reporting data and the accuracy of agency reporting on actual performance.

At the end of the two years in our example, the TDH would appear before the legislature to seek funding for the next biennium. Among the information available to the legislators would be the number of children from low-income families receiving free immunizations during the previous biennium. If the TDH failed to meet its performance measure targets and, for example, immunized only 1,500 children, the legislators would want to know why. In addition, the legislators might have a State Auditor’s report that points out problems in the controls for reporting data; again the legislators may want to know what the problems are and whether those problems have been corrected. The answers to these questions could affect the level of funding received by the agency.

Strategic planning is an important part of fiscal planning in state agencies. In particular, as pointed out above, performance measures developed as a part of strategic planning can affect the amount an agency is appropriated by the legislature.

³⁴ Ibid.

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Development of the Appropriations Bill

Legislative Appropriations Requests

A Legislative Appropriations Request (LAR) is a document prepared by each state agency which details the amount of funding the agency is seeking from the legislature. In the spring months preceding a legislative session, the LBB and the governor's office develop and send out detailed instructions for LARs.³⁵ These instructions set forth a standard format and procedure for preparing LARs. Performance measures are included in these budget requests. The LBB staff uses these measures to establish performance targets for agencies. While forms vary among agencies, most LARs include the following forms:

- *Summary of Request* – summarizes the agency's expenditures and encumbrances for past years, budgeted amounts for the current fiscal year, and requested appropriations for the coming biennium;
- *Supplemental Information Regarding Exceptional Items* – information about items that are not part of the agency's budget request, but are exceptional in nature and warrant further discussion; and
- *Appropriation Rider and Unexpended Balances Schedule* – details all appropriations through riders, including unexpended balances carried forward between bienniums.

In addition, LARs may include a statement from an official of the agency, generally the agency administrator or the governing board, explaining changes in policy or providing information about assumptions fundamental to the budget request. Some agencies receive assistance from the LBB in preparing agency LARs.

Once an agency has completed its LAR, copies must be provided to the governor and the LBB. The instructions may also specify that copies be provided to other agencies, such as the SAO, comptroller, and various libraries.

Source: Legislative Appropriations Request for the Biennium Beginning September 1, 2003 - Detailed Instructions for Executive and Administrative Agencies, Appellate Courts and Judicial Branch Agencies, by the LBB and GOBPP.

³⁵ Texas Government Code Ann., § 401.042.

Joint Budget Hearings

In the fall before the beginning of a legislative session, the LBB and the governor hold joint budget hearings. Staff members from both offices attend these hearings. Each agency attends its joint budget hearing to discuss the agency's LAR. This series of hearings usually goes on for several months and is arranged by the articles that appear in the general appropriations bill. For example, the joint committee will receive testimony from all agencies under Article 5, Public Safety and Criminal Justice, during the same time period. At these hearings, the agencies have an opportunity to explain and justify their appropriation requests. During this time, the LBB, GOBPP, and agencies discuss the performance targets that are set by the LBB, the amount of funding the agency should receive, and other aspects of the budget.

Following the joint budget hearings, the LBB develops the general appropriations bill draft. These hearings constitute an agency's last opportunity to influence the recommendations that will be made by the LBB in the general appropriations bill draft filed at the beginning of the regular legislative session.

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The Appropriations Bill and the Legislative Process

Comptroller's Biennial Revenue Estimate

The Texas Constitution prohibits the legislature from appropriating more than the anticipated revenue during the next biennium.³⁷ The same section of the constitution requires the comptroller to “submit to the Governor and to the Legislature upon its convening a statement under oath showing fully the financial condition of the State Treasury at the close of the last fiscal period and an estimate of the probable receipts and disbursements for the then current fiscal year. There shall also be in said statement an itemized estimate of the anticipated revenue...to be credited during the succeeding biennium....”³⁸ This submitted statement is referred to as the biennial revenue estimate.

As a part of this requirement, the comptroller publishes a document called the *Biennial Revenue Estimate* (BRE). This document contains not only the information required by the constitution, but also other fiscal information. For example, the BRE for the 77th Legislature included:

- Statements regarding the different revenue sources for the state and the anticipated amount of revenue from these sources;
- A statement on the economic outlook for Texas and the United States, which included both historic information and a forecast; and
- A detailed accounting of funds in the state treasury.³⁹

Because the legislature cannot appropriate an amount greater than the anticipated revenue, this revenue estimate is critical in the budgeting process. This figure is used by the legislators in making appropriations. The biennial revenue estimate can be adjusted by the comptroller during the session, so the initial estimate may be changed as the session progresses.

³⁷ Section 49a, Article III, Texas Constitution.

³⁸ Ibid.

³⁹ *2002-2003 Biennial Revenue Estimate - 77th Texas Legislature*, Carole Keeton Rylander, Texas Comptroller of Public Accounts (2001).

Filing of the General Appropriations Bill

The director of the LBB is required to prepare the general appropriations bill, under the direction of the LBB.⁴⁰ Additionally, within five days of the beginning of a regular legislative session, the director of the LBB must transmit a copy of the budget of estimated appropriations to the governor and the legislature.⁴¹

Among the restrictions affecting the amount appropriated by the general appropriations bill is a provision that prohibits the rate of growth of appropriations in a biennium from state tax revenues not dedicated by the constitution from exceeding the estimated rate of growth of the state's economy.⁴² This provision results in the budget of estimated appropriations, commonly known as the constitutional spending limit. The budget of estimated appropriations is instituted by the LBB. The LBB establishes:

- “the estimated rate of growth of the state’s economy from the current biennium to the next biennium;
- the level of appropriations for the current biennium from state tax revenues not dedicated by the Constitution; and
- the amount of state tax revenues not dedicated by the Constitution that could be appropriated for the next biennium within the limit established by the estimated rate of growth of the state’s economy.”⁴³

The LBB determines the estimated rate of growth “...by dividing the estimated Texas total personal income for the next biennium by the estimated Texas total personal income for the current biennium. Using standard statistical methods, the LBB shall make the estimate by projecting through the biennium the estimated Texas total personal income reported by the United States Department of Commerce or its successor in function.”⁴⁴ The LBB may use a more comprehensive definition of the rate of growth if the definition is approved by a committee composed of the governor, lieutenant governor, speaker of the house,

⁴⁰ Texas Government Code Ann., § 322.008.

⁴¹ Ibid.

⁴² Ibid., § 316.001.

⁴³ Ibid., § 316.002.

⁴⁴ Ibid.

and comptroller.⁴⁵ This committee must adopt the rate of growth, the appropriations level, and the tax revenues as submitted by the LBB or as amended by the committee within 10 days.⁴⁶ If the committee fails to act, the items are treated as if they were adopted.

Once the constitutional spending limit has been established and the general appropriations bill has been prepared, the director of the LBB must transmit a copy of the general appropriations bill to the governor and the legislature by the seventh day of the legislative session.⁴⁷ The general appropriations bill is then filed in both the house of representatives and the senate.⁴⁸ The general appropriations bill may be introduced by any member of the legislature,⁴⁹ but is traditionally filed by the chairs of the Senate Finance and House Appropriations committees.

⁴⁵ Ibid.

⁴⁶ Ibid., § 316.005.

⁴⁷ Ibid., § 322.008.

⁴⁸ Ibid., § 316.021.

⁴⁹ Ibid.

Filing of the Governor's Budget

The governor is required to prepare a biennial appropriation budget and provide a copy to each member of the legislature.⁵⁰ The budget must include:

- the list of appropriations for the current year preceding the biennium for which appropriations are sought and recommended;
- expenditures for each of the two full years preceding the current year; and
- the amounts requested by the various agencies and the amounts recommended by the governor for each of the years of the biennium.⁵¹

Other items are sometimes included in the governor's state budget. The governor's budget may set forth the policy goals of the governor. These policy goals sometimes influence the fiscal policy set by the legislature during the session.

The governor is also allowed to prepare a general appropriations bill which may be submitted to the lieutenant governor, the speaker of the house, and the members of the legislature.⁵² The governor's budget may also serve as the governor's general appropriations bill.

⁵⁰ Ibid., § 401.046.

⁵¹ Ibid., § 401.0445.

⁵² Ibid., § 316.009.

Committee Hearing Process

After the general appropriations bill is filed, it is sent to committee. In the senate, the appropriations bill is sent to the Senate Committee on Finance, and in the house of representatives, the bill is sent to the House Committee on Appropriations.⁵³ The committees may begin hearings on the appropriations bill filed by the LBB without waiting for submission of the bill prepared by the governor.⁵⁴

During these hearings, the committees hear testimony from state agencies regarding the agencies' requested appropriations.⁵⁵ Agency representatives answer questions from the legislators. Questions may arise about the agency's performance in relation to the agency's performance targets, problems within the agency, or programs for which the agency is seeking funding. Additionally, as with all legislative committee hearings, citizens are entitled to appear before the committees to offer testimony on a proposed appropriation.⁵⁶

After the agencies have testified before the senate finance committee and the house appropriations committee, the committees begin a process known as "markup." Committee members come to agreements on the funding for each agency and the wording to be contained in the appropriations bill; the draft appropriations bill is then changed to reflect these agreements.

⁵³ Ibid., § 316.022.

⁵⁴ Ibid.

⁵⁵ Ibid.

⁵⁶ Ibid.

Committee Report

After markup has been completed and each committee has made changes to the general appropriations bill, the committee issues the altered bill as the committee report. The house version and the senate version of the general appropriations bill go to each respective chamber for a vote. The members in each chamber may make changes to the bill during floor debate. Eventually, the general appropriations bill will be passed by each house. However, since there are almost always differences between the senate-passed and the house-passed versions of the general appropriations bill, a conference committee must be convened.

Conference Committee and Final Approval

Following passage by each house, the differences in the general appropriations committee reports, if the versions differ, are reconciled via an appointed conference committee. The lieutenant governor or the president pro tempore of the senate, when the latter is presiding, appoints the senate members of the committee. The senator sponsoring or authoring the bill must be appointed chair of the senate conferees; at least two of the conferees must be from the Senate Finance Committee.⁵⁷ In the house of representatives, the speaker of the house appoints all conference committee members and names the chair of the house conferees.⁵⁸ The senate and house rules limit the discussions and actions of the conference committee to the matters in disagreement between the two houses.⁵⁹

Both the house and senate rules govern the conference committee on the general appropriations bill as follows:

- If an item of appropriation appears in both house and senate versions of the bill, such items must be included in the conference report;
- If an item of appropriation appears in both house and senate versions of the bill and in identical amounts, no change can be made in such item or the amount thereof;
- If an item of appropriation appears in both house and senate versions of the bill but in different amounts, no change can be made in the item, but the amount thereof shall be at the discretion of the conference committee, provided that such amount shall not exceed the larger version and shall not be less than the smaller version;
- If an item of appropriation appears in one version of the bill and not in the other, such item can be included or omitted at the discretion of the conference committee. If the item is included, the amount thereof shall not exceed the sum specified in the version containing such item.⁶⁰

⁵⁷ Senate Rules, 77th Legislature, Rule 12.01.

⁵⁸ Rules of the House of Representatives, 77th Legislature, Rule 1, § 16.

⁵⁹ Senate Rules, 77th Legislature, Rule 12.03 and Rules of the House of Representatives, 77th Legislature, Rule 13, § 9(a).

⁶⁰ Senate Rules, 77th Legislature, Rule 12.04 and Rules of the House of Representatives, 77th Legislature, Rule 13, § 9(b).

Using these rules, the conference committee works out a general appropriations bill acceptable to the members of the committee. After the members of the conference committee have adopted the conference committee report, the bill is sent back to each house for approval.

Each house must now vote on the bill. When both houses approve the conference committee report without change, the bill goes to the comptroller for certification and, if certified, to the governor. When either house makes a change to the conference committee report, the bill must be returned to the conference committee to work out the differences.

When this resubmission of the bill to the conference committee occurs, each chamber usually adopts a resolution stating that if the conference committee deviated in any manner from the rules regarding creation of the appropriations bill, the bill is not killed by these deviations.

Certification by Comptroller

After the general appropriations bill has been approved by both houses of the legislature, it must be certified by the comptroller. The Texas Constitution states that “no bill containing an appropriation shall be considered as passed or be sent to the Governor for consideration until and unless the Comptroller of Public Accounts endorses his certificate thereon showing that the amount appropriated is within the amount estimated to be available in the affected funds.”⁶¹ If the general appropriations bill exceeds this limit, the comptroller returns the bill to the house in which it originated. The legislature must either cut the level of appropriations or generate additional revenue, which is usually accomplished by passing a tax bill or other revenue measures. If the general appropriations bill is within the level of anticipated revenue, the comptroller certifies the bill and sends it to the governor for approval.

It should be noted that in the case of an emergency and “imperative public necessity” and by a four-fifths vote of each house, the legislature may make appropriations in excess of the anticipated revenue.⁶²

⁶¹ Section 49a, Article III, Texas Constitution.

⁶² Ibid.

Governor's Approval

After the general appropriations bill has been certified by the comptroller, it is submitted to the governor for approval. The governor has line item veto power, which allows the governor to veto specific appropriations rather than vetoing the entire bill.⁶³ If the governor vetoes items in the appropriations bill, the veto may be overridden by a two-thirds vote in each house of the legislature. Once the governor has signed the general appropriations bill, it becomes the General Appropriations Act and becomes law.

⁶³ Section 14, Article IV, Texas Constitution.

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Administration of the Budget

Administration of the Budget

The General Appropriations Act takes effect on September 1 of each odd-numbered year following the regular legislative session. Funds are dispensed to agencies based on this two-year budget act.

When necessary, the governor and LBB have joint authority to transfer funds among programs within an agency or even between agencies; this is known as budget execution.⁶⁴ This process involves a proposal by the governor or LBB to prohibit a state agency from spending money, transfer money from one state agency to another, spend money within an agency for a purpose different than the one for which the money was appropriated, or change the time an appropriation is made.⁶⁵ The LBB may hold a public hearing regarding a proposal by the governor and then may accept, reject, or recommend changes in the proposal.⁶⁶ If the proposal is made by the LBB, the governor may hold a public hearing and then accept, reject, or recommend changes in the proposal.⁶⁷

During the two years of the budget cycle, state agencies report to the LBB regarding each agency's performance relative to performance targets. Some agencies will be audited by the SAO.

⁶⁴ Texas Government Code Ann., Chapter 317.

⁶⁵ Ibid., § 317.002.

⁶⁶ Ibid., § 317.005.

⁶⁷ Ibid.

State Revenue Sources

State Revenue Sources

Texas gathers money from several revenue sources to pay for the vast number of services provided to its citizens. Among these revenue sources are taxes, fees, federal government, lottery receipts, and interest income. *Figures 1 and 2* on page 46 depict the state's total revenue sources for the 2002-03 biennium, listing amounts generated by source, and the percentage of the whole by source.

During different parts of the budget cycle, amounts and estimates change as the budget players receive more information. In the most recent certification estimate of state revenue sources for the 2002-03 biennium, the comptroller estimated that general revenue-related revenues and balances will total \$61.584 billion, representing a 3.5 percent increase from the previous biennium. The estimated total covers the \$61.487 billion budget passed by the 77th Legislature.

Tax collections make up roughly 86 percent of all state general revenue-related funds for the 2002-03 biennium, with the sales tax accounting for 62 percent of all general revenue-related tax collections. Besides taxes, available general revenue funds come from ending balances carried forward from the previous biennium, federal receipts, and non-tax revenue such as interest, investment income, lottery proceeds, and licenses, fees, fines, and penalties.

It is important to note that property taxes in Texas are strictly local revenue sources. The largest portion of the local property tax is the portion imposed by school districts and used to build and maintain the state's public schools. These local school property taxes provide just over half the funding for public schools, with the majority of the balance of school funding coming from the state. As noted in an earlier chapter, the state's largest budget item, or expenditure, is for education, which includes all public schools and institutions of higher education.

To complete your understanding of state finances, a discussion of the state's depository funds is necessary. While there are more than 600 funds and accounts in the state treasury, the General Revenue Fund and a few closely related special funds and accounts play key roles in state finance. Below are just a few examples of the major funds and accounts that make up the state's deposit balance.

The ***General Revenue Fund*** consists of non-dedicated general revenue and general revenue-dedicated accounts. The non-dedicated portion of the General Revenue Fund serves as the state's primary operating fund. Most state tax revenues, many state fees, and various other revenues are deposited as non-dedicated general revenue. Among the taxes deposited to non-dedicated general revenue are the receipts from the state sales tax, franchise tax, motor vehicle sales

tax, alcohol and tobacco taxes, oil production tax, natural gas tax, and motor fuel tax. Expenditures may be made directly from non-dedicated general revenue, or, in some cases, revenue may be transferred from non-dedicated general revenue to special funds or accounts. The non-dedicated portion of the General Revenue Fund provides legislators the most discretion in spending.

There are more than 200 dedicated accounts maintained in the General Revenue Fund. These accounts receive revenue dedicated for a particular purpose. Generally, the legislature may appropriate revenue from the dedicated accounts only for purposes to which the revenue is dedicated by law.

The ***Permanent School Fund*** (PSF) is a perpetual endowment to support Texas' public schools. Its original wealth was in land and money, but virtually all of the principal assets are now in securities.

The ***Available School Fund*** (ASF) receives interest and dividend income from the Permanent School Fund and one-quarter of motor fuel taxes. A portion of the ASF revenue is transferred to the State Textbook Fund and used to provide textbooks to children attending public schools. After the textbook allocation, remaining revenue in the ASF is allocated to school districts.

One-quarter of occupations taxes, which include, among others, the oil production tax, the natural gas production tax, and the gas, water, and electric utility tax, are constitutionally dedicated to public education. The revenue from these taxes is initially deposited to the General Revenue Fund, and then transferred to the ***Foundation School Account*** (FSA). With the passage of H.B. 4, 75th Legislature, net lottery proceeds became statutorily dedicated to public education and are deposited to the Foundation School Account. Revenue from the account is distributed to school districts based on foundation school program formulas.

The major revenue sources deposited directly to the ***State Highway Fund*** include motor vehicle registration fees, federal highway funds, and the sales tax on motor lubricants. Motor fuel tax revenue is deposited to the General Revenue Fund and a portion is allocated to the State Highway Fund. Revenue in the State Highway Fund is used for highway construction and maintenance, acquisition of rights-of-way, and law enforcement on public roads.

FIGURE 1
Estimated State Revenue by Source
2002-03 Biennium: \$109.4 Million

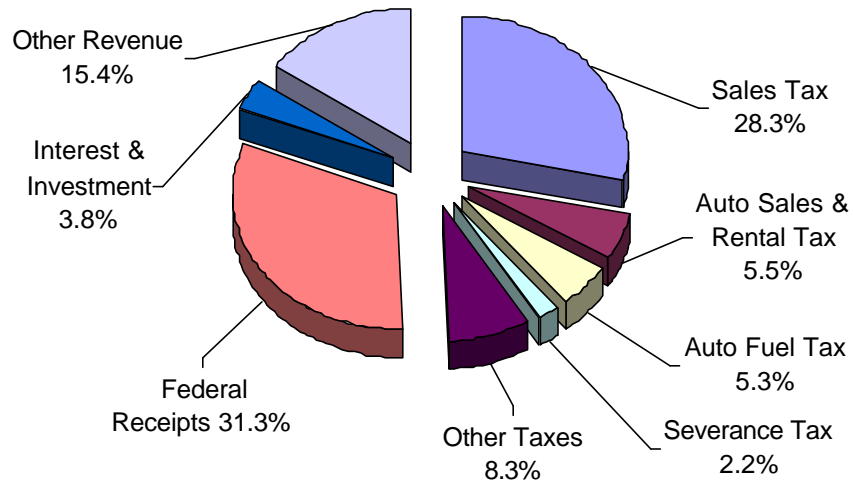


FIGURE 2
State Revenue by Source
Current Biennium (estimated) Compared to Last (actual)

Revenue Source	2000-01 Biennium (in \$ millions)	2002-03 Biennium* (in \$ millions)	Biennial Change (in \$ millions)	Percent Change (%)
Tax collections (total)	52,514.0	54,121.7	1,607.7	3.1
Sales tax	28,639.7	30,917.0	2,277.3	8.0
Oil production taxes	859.2	696.1	-163.1	-19.0
Natural gas production tax	2,294.6	1,677.7	-616.9	-26.9
Motor fuel taxes	5,453.7	5,748.2	294.5	5.4
Motor vehicle sales and rental tax	5,687.6	5,969.8	282.2	5.0
Corporation franchise tax	4,025.6	3,650.0	-375.6	-9.3
Cigarette and tobacco taxes	1,116.4	1,030.1	-86.3	-7.7
Alcoholic beverage taxes	1,056.1	1,153.1	97.0	9.2
Insurance occupation taxes	1,616.6	1,595.7	-20.9	-1.3
Utility taxes	603.8	620.1	16.3	2.7
Inheritance tax	600.8	464.2	-136.6	-22.7
Hotel occupancy tax	482.6	515.0	32.4	6.7
Other taxes	77.2	84.6	7.4	9.6
Federal receipts	30,816.5	34,236.6	3,420.1	11.1
Interest and investment income	3,942.9	4,196.6	253.7	6.4
Licenses, fees, fines, and penalties	8,509.8	8,935.2	425.4	5.0
Land income	693.2	695.8	2.6	0.4
Lottery proceeds	2,697.5	2,246.4	-451.1	-16.7
Other revenue sources	4,495.7	4,921.9	426.2	9.5
Totals	103,669.5	109,354.1	5,684.6	5.5

* estimated

Sources: Comptroller of Public Accounts,
Legislative Budget Board.

Looking at the 2002-2003 Budget

Looking at the Budget

Most official budget documents, unofficial analyses, or summaries will look at the budget in two ways: All Funds and General Revenue Funds. The General Revenue Funds budget is critically relevant because it is the portion of the budget over which legislators have the most control; the General Revenue Funds budget includes the non-dedicated portion of the General Revenue Fund and the PSF, ASF, and FSA. Put another way, funds other than these general revenue funds offer legislators less discretion over the appropriations process because they are “tied up” in one of three ways: dedicated for specific use by statute or the Texas Constitution; passed through to the state by the federal government with restrictions on spending; or subject to a court order on how the money can be spent.

The Texas Constitution requires a balanced budget, also referred to as a “pay as you go” budget,⁶⁸ which must fall within two spending limits adopted by the LBB:

- (1) a limit on welfare spending,⁶⁹ and
- (2) a limit on the rate of growth of appropriations from certain state taxes.⁷⁰

Although amounts appropriated by the legislature are considered law as finally passed, as a practical matter, actual spending will almost always differ to varying degrees from those appropriated amounts. Thus, *Figures 2* and *4* on pages 46 and 49 are sometimes referred to as budget recommendations for the current budget.

Accordingly, as time passes, budgets are labeled as recommended, appropriated, estimated, or expended, or a combination or variance thereof.

⁶⁸ Section 49a, Article III, Texas Constitution.

⁶⁹ Ibid., Section 51a.

⁷⁰ Ibid., Section 22, Article VIII.

The Current Budget: An Example

General Appropriations Act – S.B. 1, 77th Legislature

The current budget, or the *2002-03 General Appropriations Act*, was filed by Senator Ellis, chairman of the Senate Committee on Finance, and sponsored by Representative Junell, Chairman of the House Committee on Appropriations. The Act was finally passed by the legislature on May 26, 2001, certified by the comptroller on June 6, 2001, signed by the governor on June 17, 2001, and became effective on September 1, 2001, the first day of fiscal year 2002.

The final recommended appropriations for the 2002-03 biennium total \$114.1 billion in “All Funds”—a \$12.2 billion, or 12 percent, increase in state funding from the 2000-01 biennial level. (See *Figures 3* and *4*.) The All Funds budget includes General Revenue Funds, General Revenue-Dedicated Funds, Federal Funds, and Other Funds (see the *Glossary of Terms* for definitions).

The General Revenue Funds budget, including General Revenue and General Revenue-Dedicated funds, totals \$66.9 billion for the 2002-03 biennium—a \$6.2 billion, or 10.2 percent increase in funding from the 2000-01 biennial level. Agencies of education received the largest share of combined General Revenue and General Revenue-Dedicated funds equal to \$38.8 billion, or 58.1 percent, for the 2002-03 biennium. (See *Figures 5* and *6*.)

Source: Legislative Budget Board, *2002-03 Fiscal Size-Up*.

FIGURE 3
All Funds 2002-02 Budget: \$114,119.8 Million

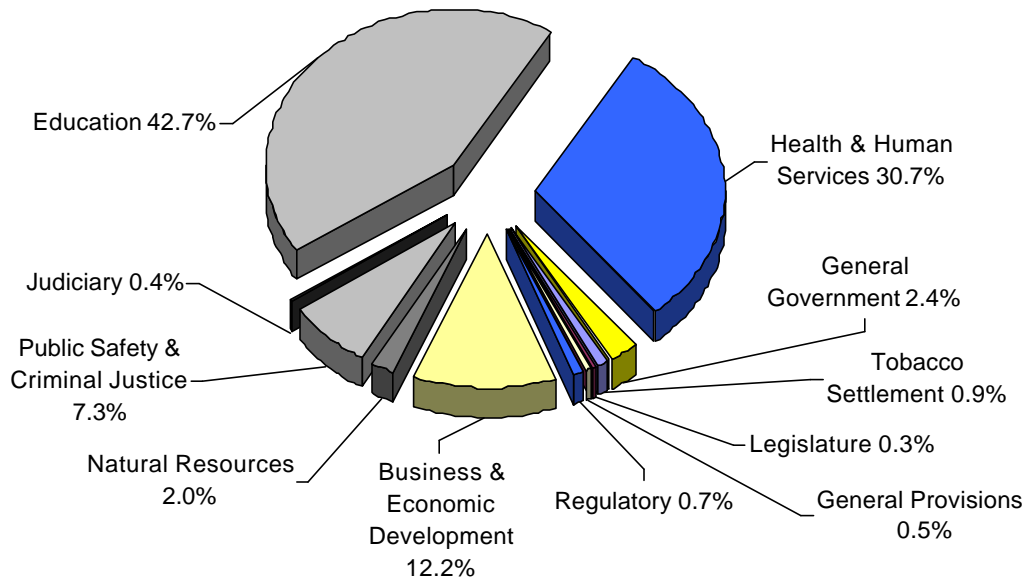


FIGURE 4
Comparison of All Funds
Appropriated 2002-03 to 2000-01 Expenditures

Appropriation Areas	2000-01 Biennium (expended) (in \$ millions)	2002-03 Biennium (appropriated) (in \$ millions)	Biennial Change (in \$ millions)	Percent Change (%)
General Government	2,454.0	2,745.5	291.4	11.9
Health and Human Services	29,962.3	35,070.9	5,108.5	17.0
Education	45,172.5	48,697.5	3,525.0	7.8
<i>Public Education</i>	31,107.0	33,038.7	1,931.7	6.2
<i>Higher Education</i>	14,065.5	15,658.8	1,593.4	11.3
The Judiciary	382.7	430.8	48.1	12.6
Public Safety and Criminal Justice	8,009.1	8,298.0	288.9	3.6
Natural Resources	1,908.0	2,244.5	336.5	17.6
Business and Economic Development	12,731.1	13,893.8	1,162.7	9.1
Regulatory	528.8	795.7	266.9	50.5
General Provisions	0.0	569.5	569.5	NA
The Legislature	282.5	294.4	11.8	4.2
Subtotal, All Functions	101,431.2	113,040.5	11,609.4	11.4
Tobacco Settlement	461.3	1,079.3	617.9	133.9
TOTALS	101,892.5	114,119.8	12,227.3	12.0

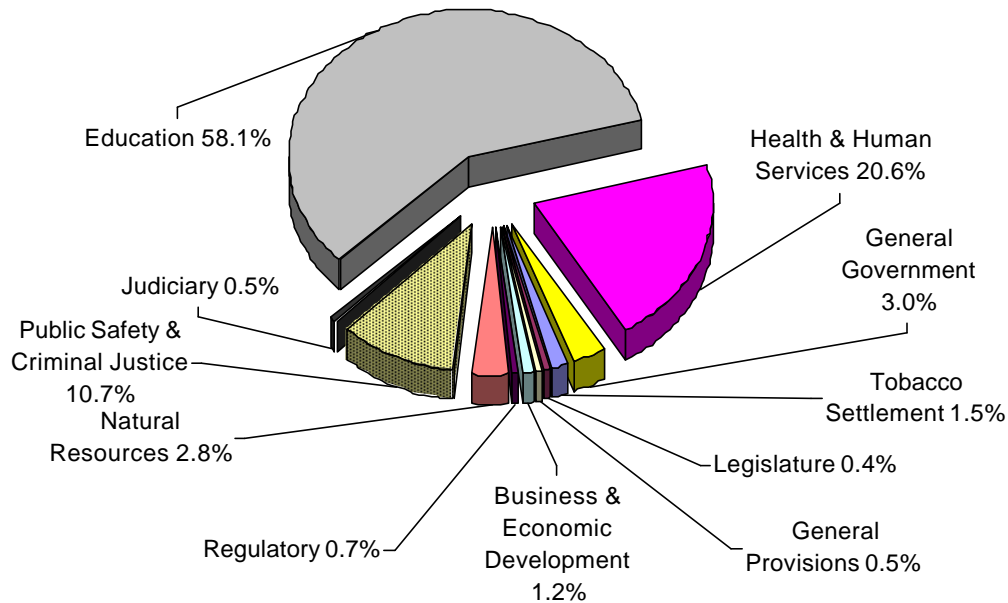
Notes on Figures 3 and 4:

Article totals exclude interagency contracts.

2000-01 base amounts reflect provisions in H.B. 1333 and approved Health and Human Services transfers.

Agency 2002-03 appropriations reflect certain appropriations made in Article IX and other legislation affecting appropriations.

Source: Legislative Budget Board.

FIGURE 5**General Revenue and General Revenue-Dedicated Funds****Budget 2002-03: \$66,871.9 Million****Percent of Budget By Function****FIGURE 6****Comparison of General Revenue & General Revenue-Dedicated Funds
Appropriated 2002-03 to 2000-01 Estimated Expenditures**

Appropriation Areas	2000-01 Biennium (expended) (in \$ millions)	2002-03 Biennium (appropriated) (in \$ millions)	Biennial Change (in \$ millions)	Percent Change (%)
General Government	1,716.1	1,987.4	271.3	15.8
Health and Human Services	11,952.3	13,808.9	1,856.6	15.5
Education	36,416.6	38,826.7	2,410.1	6.6
<i>Public Education</i>	25,401.5	26,209.9	808.4	3.2
<i>Higher Education</i>	11,015.1	12,616.8	1,601.7	14.5
The Judiciary	316.7	353.1	36.4	11.5
Public Safety and Criminal Justice	6,772.5	7,153.8	381.3	5.6
Natural Resources	1,536.5	1,847.7	311.2	20.3
Business and Economic Development	801.3	777.7	-23.6	-2.9
Regulatory	515.1	489.9	-25.2	-4.9
General Provisions	0.0	348.0	348.0	NA
The Legislature	279.1	291.0	11.8	4.2
Subtotal, All Functions	60,306.1	65,884.2	5,578.0	9.2
Tobacco Settlement	369.4	987.7	618.3	167.4
TOTALS	60,675.51	66,871.9	6,196.4	10.2

Notes on Figures 5 and 6:

2000-01 base amounts reflect provisions in H.B. 1333 and approved Health and Human Services transfers.

Agency 2002-03 appropriations reflect certain appropriations made in Article IX and other legislation affecting appropriations.

Source: Legislative Budget Board.

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Glossary of Terms

Some of the terms defined in this glossary are not mentioned in the text of *Budget 101: A Guide to the Budget Process in Texas*. However, they are included because they are terms that would be useful in studying or working on the budget.

Glossary of Terms

Act: A bill passed by the legislature, approved by the governor, and recorded with the secretary of state. The governor has the discretion to allow a bill to become law without the governor's signature.

Agency: A statutorily or constitutionally established entity that is authorized to act on behalf of and as an agent of the state and usually funded by the General Appropriations Act.

Agency Goals: The general ends toward which agencies direct their efforts. A goal addresses issues by stating policy intention. Goals are both qualitative and quantitative, but specific goals are not quantified.

Agency Mission: The reason for an agency's existence. An agency's mission succinctly identifies what the agency does, why, and for whom.

All Funds Budget: The "All Funds" budget includes General Revenue Funds, General Revenue-Dedicated Funds, Federal Funds, and Other Funds.

Appropriated: Refers to the dollars or associated full-time equivalent positions authorized for specific fiscal years, and to the provisions for spending authority.

Appropriated Receipts: Fees and other revenue collected for services performed by a state agency, and usually reappropriated to the agency to help recover the agency's costs for performing the services.

Article: A major division of a bill. Used in the general appropriations bill to group agencies with similar functions.

Base of Reference Budget: A budgetary forecast sometimes produced by the Legislative Budget Board which projects the budgetary needs of Texas state government for succeeding fiscal years based on current law.

Base Period: The fiscal year, biennium, or other period that is the basis for budget or performance projections.

Biannual: Occurring twice a year.

Biennial: Occurring every two years.

Biennial Revenue Estimate: Article III, Section 49a of the Texas Constitution requires the comptroller of public accounts to submit to the governor and legislature upon its convening a statement showing the financial condition of the state treasury at the close of the last fiscal period and an estimate of the probable receipts and disbursements for the current fiscal year, as well as an itemized estimate of the anticipated revenue to be credited during the succeeding biennium.

Biennium: A two-year period. In Texas, as used in fiscal terms, it is the two-year period beginning on September 1, and ending on August 31 of odd-numbered years, for which general state appropriations are made. A biennium is identified by the two fiscal years of which it consists, e.g., 2002-03 biennium.

Bill: A proposed new law, or amendment to existing law, that is introduced for legislative consideration. A bill which is enrolled by the legislature and approved by the governor becomes a law.

Briefing Document: A document occasionally produced prior to the beginning of a legislative session that provides legislators with an overview of functional areas and the major agencies within each function. Included are current funding and performance data, the impact of major legislative changes, significant appropriations request items, interstate comparisons, and selected issues by function.

Budget Document (Legislative Budget Estimates): A biennial document prepared by the Legislative Budget Board staff that contains agency funding and performance data for previous years, budgeted data for the current year, agency requested data for the next biennium, and Legislative Budget Board appropriation recommendations for state agencies and institutions. The document is introduced into the legislature at the beginning of each regular session.

Budget Execution: Authority granted the governor and the Legislative Budget Board to make transfers of appropriations between agencies and items with the adopted budget.

Budgeted: Refers to the planned level of expenditures, performance, or number of full-time equivalent positions for a particular fiscal year.

Capital Budget: The portion of an agency's appropriation that is restricted to expenditures for designated capital construction projects or capital acquisitions.

Capital Improvements: Building or infrastructure projects that will be owned by the state and built with direct appropriations or with the proceeds of state-issued bonds.

Certification Estimate: Document certifying that the amount appropriated in the General Appropriations Act is less than or equal to the amount estimated to be available. This document is produced by the Comptroller of Public Accounts to help fulfill the requirement in the Texas Constitution that the state not spend more money than it has.

Classification Plan: Schedule of position titles, job descriptions, and pay levels that all state agencies, with the exception of higher education and legislative agencies, must use in establishing and filling non-exempt full-time equivalent positions.

Classified Positions: Those positions identified in the General Provisions of the General Appropriations Act, that are established in accordance with the State Classification Act of 1961.

Constitutional Limit: Either of three constitutional provisions that restrict amounts that the legislature may appropriate for expenditure. Section 49a, Article III of the Texas Constitution limits appropriations to the amount of revenue estimated by the comptroller to be available for the appropriations period. Section 22, Article VIII, limits the rate of growth of appropriations from non-dedicated state taxes. Section 51a, Article III, sets forth limits on the state's welfare expenditures for needy or disabled children, elderly people, and people with visual impairments.

Contingency Appropriations: Appropriations contingent upon passage of legislation or upon certain conditions being met. For example, contingent upon the comptroller certifying that sufficient revenue is available for fiscal year 2003, the comptroller is appropriated \$121 million for state employee pay raises.

Current Services: An estimate of the anticipated costs and funding necessary to continue programs at their present service levels without changes of policy or legal requirements.

Dedicated Funds: Funds in the General-Revenue Fund that hold revenue dedicated for a particular purpose. Funds can be dedicated constitutionally or statutorily.

Discretionary Revenue: Revenue not dedicated for specific purposes. Revenue falling into this category is usually deposited to the General Revenue Fund.

Efficiency: A criterion used to measure a program's inputs relative to its outputs. An efficient program is one which uses the minimum possible resources while achieving its intended outcomes.

Efficiency measure: One of four types of performance measures used in strategic planning. An efficiency measure gauges resource cost in dollars, employee time, or equipment used per unit of product or service output. An efficiency measure relates agency efforts to agency outputs.

Elements of Cost: Categories of appropriation and expenditure used for certain institutions of higher education.

Engrossed: A bill is engrossed when it has been passed by the chamber of the legislature in which it was originally filed.

Enrolled: A bill is enrolled when it has been passed by both houses of the legislature. After enrollment, a bill is sent to the governor for signature or veto.

Estimated (Est.): In an agency's Legislative Appropriation Request, this refers to the estimated expenditures or number of full-time equivalent positions for the first fiscal year in the current biennium. Because these numbers are developed later in the fiscal year, they are considered to be more accurate than "budgeted" numbers.

Exempt Position (Non-classified): A position which is exempted from the position classification plan. Usually listed in the General Appropriations Act (see Schedule of Exempt Positions), exempt positions are designated by the governor under authority of the State Classification Act of 1961. Article IX of the General Appropriations Act establishes conditions for exempt positions.

Expended (Exp.): Refers to the actual dollars or positions utilized by an agency or institution during a completed fiscal year; a goal or strategy; an object of expense; or an amount from a particular method of finance.

Explanatory/Input Measures: One of four types of performance measures used in strategic planning. An explanatory/input measure provides information to help users assess the significance of performance reported in other types of measures. An agency may have limited or no control over factors addressed by explanatory/input measures, such as environmental or demographic characteristics related to agency target populations. However, explanatory/input measures may also focus on variables over which an agency has significant control, such as staffing patterns for specific functions.

Federal Funds: Funds received from the United States government by state agencies and institutions that are appropriated to those agencies for the purposes for which the federal grant, allocation, payment, or reimbursement was made.

Fiscal Note: Accompanies a bill and provides a synopsis of the estimated financial impact, including cost, revenue, and staffing impacts, enacting the bill will have. Required for every bill by senate rules; in the house, a fiscal note is required on the determination of the chair of the committee hearing a bill that the bill has fiscal implications.

Fiscal Size-Up: A biennial document prepared by Legislative Budget Board staff that describes state agency operations and summarizes the appropriations made during the preceding legislative session.

Fiscal Year (FY): September 1 through August 31 and specified by the calendar year in which the fiscal year ends, e.g., fiscal year 2003 runs from September 2002 through August 2003.

Full-Time Equivalent (FTEs): Units of measure that represent the monthly average number of state personnel working 40 hours a week.

Function: A grouping of state agencies which provides related services; forms the basis of articles in the General Appropriations Act, e.g., General Government, Health and Human Services, and Education.

Fund: A constitutionally or statutorily authorized repository of revenue that is used for financing appropriations and which consists of either: (1) an independent fiscal entity with a self-balancing set of accounts, e.g., State Highway Fund; or (2) a category of revenues or receipts, e.g., federal funds.

General Appropriations Act: The law that appropriates biennial funding to state agencies for specific fiscal years and sets provisions for spending authority.

General Appropriations Bill: The appropriations legislation as it moves through the legislative process and before it is passed and signed into law.

General Revenue Fund: The fund (No. 001) that receives state tax revenues and fees considered available for general spending purposes and certified as such by the comptroller of public accounts.

General Revenue–Dedicated: Accounts that can be counted as General Revenue but must be used for the purposes identified in general law to the extent such money is appropriated in the General Appropriations Act.

General Revenue-Related Funds: General revenue funds that are not considered dedicated funds, including the General Revenue Fund, the Available School Fund, the Foundation School Fund, and the State Textbook Fund. Also referred to as “funds affecting certification.”

House Appropriations Committee: The house committee with jurisdiction over all appropriations, allocations, and diversions of money from the state treasury.

Historically Underutilized Business (HUB): A business in which at least 51 percent of ownership is by one or more persons who: (1) are socially disadvantaged because of their identification as African Americans, Hispanic Americans, women, Asian Pacific Americans, or Native Americans, and have suffered the effects of discriminatory practices; and (2) have a proportionate interest and participation in the control, operation, and management of the business.

Inputs: The resources that an agency uses to produce services, including human, financial, facility, or material resources.

Issue Docket: A document prepared for the Conference Committee on Appropriations identifying the differences in line-item amounts and rider language between the house and senate versions of the general appropriations bill.

Key Performance Measure: A measure that indicates the extent to which an agency is achieving its goals or objectives and that is identified in the General Appropriations Act along with targeted performance objectives for each year of

the biennium. These can be outcome, output, efficiency, or input/explanatory measures.

Legislative Appropriation Request (LAR): A formal request for funding made by each state agency and institution. This request is in accordance with instructions developed by the Legislative Budget Board and Governor's Office of Budget, Policy, and Planning. The agency request is prepared according to the approved strategic planning and budget structure for that agency.

Legislative Budget Board (LBB): A legislative agency consisting of the lieutenant governor, speaker of the house, and eight members of the legislature who initiate state budget policy and who have specific charges to direct the expenditure and appropriation of state funds. Also refers to the staff members of the Legislative Budget Board.

Line-item: An element of spending authority granted to an agency or institution in an appropriations bill. Literally, a line in the General Appropriations Act specifying an agency's appropriations for a specific designated use. In Texas, the governor may veto a line-item.

Line-Item Veto: The governor's authority to veto spending on a line-item basis. Allows the governor to veto spending for a particular item without eliminating total agency funding.

Markup: The term used to describe the period of time during which the Senate Finance Committee or the House Appropriations Committee makes changes to the general appropriations bill.

Master List of Classifications: A detailed listing of all authorized classified position titles which appears in the general provisions of the General Appropriations Act, including job class numbers, titles, and salary groups.

Measure: An indicator of agency efforts and accomplishments. Measures indicate agency accomplishments already achieved, planned, or required by legislative directive.

Method of Finance: The term usually appears as a heading for a table that lists the sources and amounts authorized for financing certain expenditures or appropriations made in the General Appropriations Act. A source is either a

“fund” or “account” established by the comptroller, or a category of revenues or receipts (e.g., federal funds).

Mission: An element of an agency’s strategic plan that describes the reason for the agency’s existence.

Non-budgetary Elements: Strategic planning goals, objectives, or strategies created to convey an agency activity or service which is not separately and directly costed or funded. Non-budgetary elements are not included as a distinct and separate item in the agency’s appropriations request and may have measures which remain internal to the agency and are not reported on a routine basis to oversight entities.

Number of Positions: The total number of positions shown for a strategy, goal, or agency includes full-time exempt positions, full-time classified positions, and full-time hourly and seasonal positions. In addition, it includes those positions which are not full-time regular positions, but are converted to full-time equivalents.

Object of Expense: An expense category used in an agency’s Legislative Appropriation Request covering payments for a time or class of items. For example, “personnel” covers payments for the services of agency employees, i.e. salaries and benefits.

Objectives: Clear targets for specific actions. Objectives mark interim steps toward achieving an agency’s long-range mission and goals. Linked directly to agency goals, objectives are measurable, time-based statements of intent.

Other Funds: Any funds not included in the other methods of finance (General Revenue Funds, General Revenue-Dedicated Funds and Federal Funds). “Other Funds” include the State Highway Fund, trust funds, bond proceeds, interagency contracts, certain revenue held in higher education “local” accounts and constitutional funds (except the Available School Fund).

Outcome measures: One of four types of performance measures used in strategic planning. An outcome measure indicates the actual effect upon a stated condition or problem. These measures are tools to assess the effectiveness of an agency’s performance and the public benefit derived.

Outcomes: Outcomes are quantified results or impacts of government actions.

Output Measures: One of four types of performance measures used in strategic planning. An output measure is a tool or indicator used to count the services and accomplishments produced by an agency. The number of people receiving a service or the number of services delivered is often used as measures of output.

Performance Measure: See “Measure.”

Performance Report: A biennial document prepared by the Legislative Budget Board that compiles selected performance evaluations. The document is submitted to the legislature at the start of each regular session.

Performance Target: Quantitative performance standards set by the legislature in the General Appropriations Act.

Priority (Statewide) Goal: The general ends toward which the state directs its efforts. Priority goals address the primary issues facing the state within broad groupings of interrelated state concerns. Priority goals are founded on the statewide vision prepared by the governor and the Legislative Budget Board and may involve coordination among several agencies with similar functions. An example is found in *Planning for Progress* under “Natural Resources and Agriculture: To ensure a clean environment for all Texans, enhance agricultural markets and production, and to conserve and protect the state’s natural resources with sustainable economic development and prudent stewardship.”

Quarterly/Annual Report on Performance (Performance Measures Report): Quarterly and annual reports submitted by state agencies showing planned and actual performance in terms of outcome and explanatory measures (reported annually) and output and efficiency measures (reported quarterly).

Recapitulation (Recap): A concise statement appearing at the end of General Appropriations Act articles and the Legislative Budget Estimates, and the beginning of the General Appropriations Act, which summarizes the appropriations for all agencies for the biennium by general revenue, general revenue–dedicated, federal funds, other funds, and all funds.

Recommended (Rec.): Refers to the dollar amounts of state agency appropriations or number of positions recommended by LBB staff for the subsequent biennium.

Reclassification: A change in the salary group pertaining to a particular classified position.

Requested (Req.): Refers to the dollars or positions sought by an agency for appropriation by the legislature for use during the subsequent biennium.

Resolution: Legislation that is used for matters of business within one house or between the two houses. For instance, rules are adopted and modified by resolutions.

Rider: A legislative directive or appropriation inserted in the General Appropriations Act following appropriation line-items for an agency or in the special or general provisions of the act. A rider provides direction, expansion, restriction, legislative intent, or an appropriation. The term also applies to special provisions at the end of each article and general provisions in the General Appropriations Act. A rider appropriation is distinguished from a regular appropriation (i.e., line-items in the General Appropriations Act), and a special appropriation (i.e., legislation other than the General Appropriations Act).

Salary Group: Each classified position has a related salary level. Salary groups range from Group 02 through Group 21. Each grouping designates a salary range further divided into Step 1 through Step 8.

Schedule of Exempt Positions: Schedule of personnel employed on a regular basis who are exempted from the position classification plan by the General Appropriations Act or by the governor.

Senate Finance Committee: The senate committee that deals with legislation affecting appropriations, revenues, and matters of state financial activity.

Special Funds: Non-general revenue funds that have retained their revenue dedication and are exempt from funds consolidation.

Statute: A law enacted by the legislature. Statutes are generally placed in codes with other legislation on the same subject.

Strategic Plan: A formal document that communicates an agency's mission, goals, objectives, strategies, and performance measures. Other elements of a strategic plan include an internal/external assessment and agency philosophy.

Strategic Planning: A long-term, future-oriented process of assessment, goal-setting, and decision-making that maps an explicit path between the present and a vision of the future, that relies on careful consideration of an organization's capabilities and environment, and leads to priority-based resource allocation.

Strategic Planning and Budgeting System: The budgeting system for the State of Texas. Under this system, agencies request and receive appropriations related to elements of their strategic plans. Typically, legislative line-item appropriations are made to agencies for specific strategies.

Strategies: Formulated from goals and objectives, a strategy is the means for transforming inputs into outputs, and ultimately outcomes, employing the best use of resources. A strategy describes a method to achieve goals and objectives. The legislature typically appropriates money to strategy line items.

Transferability: The ability of an agency to transfer legislative appropriations from one agency to another, from one department to another, or from an agency's line-item to another line-item. Transferability is generally authorized by rider in the General Appropriations Act.

Unexpended Balance (U.B.): The amount left in an item of appropriation at the end of an appropriation period and includes only that part of the appropriation, if any, which has not had an obligation or commitment made by the agency in charge of spending the appropriation. The term also refers to the amount of an appropriation, a fund, or a category of revenue which is brought forward (appropriated) to the succeeding fiscal year.

Unlimited (U.L.): The abbreviation "U.L." is used in schedules of classified positions and schedules of exempt positions (in the General Appropriations Act) to indicate that an unlimited number of positions are authorized. If used in the heading of the schedule, it means that an unlimited number of positions are authorized for all positions in the schedule. If used beside a position name, it means that an unlimited number of positions is authorized for that particular position.

Resources Page

Documents containing helpful information are listed below.

Fiscal Size-Up – Published by the LBB, this document contains information on the current state budget, revenue sources and the economic outlook for Texas, and detailed information on each of the major functions of state government.

Legislative Budget Estimates – Published by the LBB, this document contains the amount of money expended by an agency in previous years, the amount budgeted for the agency for the current year, the amount requested by the agency for the next biennium, and the amount recommended by LBB for the next biennium.

Biennial Revenue Estimate – Published by the Comptroller of Public Accounts, this document contains the comptroller's biennial revenue estimate, an overview of revenue, an economic forecast for both Texas and the United States, a description of revenue sources for the coming biennium, and an estimate of revenue in various funds.

General Appropriations Act (S.B. 1 - 77th Legislature) – Published by Senate Publications & Printing, this document is the General Appropriations Act passed by the 77th Legislature. When the General Appropriations Act is a house bill, it is published by the House Print Shop.

Guide to Performance Measure Management – Published by the State Auditor's Office, the LBB, and the GOBPP, this publication contains extensive information regarding the purpose and development of performance measures.

Instructions for Preparing and Submitting Agency Strategic Plans – Published by the LBB and the GOBPP, this document includes an introduction to strategic planning, a timeline for the development of strategic plans, and descriptions of the required elements of a strategic plan.

Summary Assessment of Agency Performance – Published by the LBB, this document provides an assessment of the performance of agencies during the previous fiscal year.

A Guide to the Fiscal Note Process – Published by the LBB, this document provides a description of the Fiscal Note process.

Web Resources Page

Many publications and other resources are accessible via the Internet. Helpful Web sites include:

- ***The Senate Research Center:***
<http://www.senate.state.tx.us/SRC/Index.htm>.
- ***The Comptroller of Public Accounts:*** <http://www.cpa.state.tx.us>
- ***The Governor of the State of Texas:*** <http://www.governor.state.tx.us>
- ***The Governor's Office of Budget, Planning, and Policy:***
<http://www.governor.state.tx.us/budgetandplanning>
- ***The House Research Organization:***
<http://www.capitol.state.tx.us/hrofr/hrofr.htm>
- ***The Legislative Budget Board:*** <http://www.lbb.state.tx.us>
- ***The Legislative Reference Library:*** <http://www.lrl.state.tx.us>
- ***The State Auditor's Office:*** <http://www.sao.state.tx.us>
- ***The State of Texas Online:*** <http://www.texasonline.com>
- ***The Sunset Advisory Commission:*** <http://www.sunset.state.tx.us>
- ***The Texas Legislative Council:*** <http://www.tlc.state.tx.us>
- ***The Texas Legislature Online:*** <http://www.capitol.state.tx.us>